

# Savings Plan



Your Savings Program benefits are designed to work together with the pension plan and Social Security benefits to provide you with retirement income.

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# Highlights



## The Savings Program...

### ...Lets Your Account Grow Tax-Deferred

Your existing account balance is tax-deferred, which means you will not pay federal income taxes on this amount until you take the money out of the savings program.

### ...Gives You the Opportunity to Invest in Your Future

You can invest your existing account balance in any one or more of eleven investment funds.

### ...Provides 24-Hour Access to Account Information

The savings program information line offers up-to-date information about your account 24 hours a day, 7 days a week.



### What happens to your benefits when...

For more information about what happens to your savings program participation when you have a qualifying life event, see the "About Your Benefits" section.

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# Your Savings Program Account

At retirement, you were entitled to receive the full value of your savings program account. You had the opportunity to receive your savings all at once or over time - or to defer your total account value. That is, leave your savings in the savings program.

If your savings program account has been deferred, your savings will remain invested in the savings program funds as you direct.

In any event, savings program required minimum distribution payments will begin no later than December of the year in which you reach age 70-1/2.

## The Savings Program Information Line

The savings program makes saving easy. It lets you manage your account over the telephone through a voice response unit or by speaking with a customer service representative. By calling the information line, you can:

- check your account balance and investment performance
- transfer between investment funds
- request a withdrawal.

When you call the information line, you will need your PIN and a touch-tone phone to use the voice response unit. If you do not have a touch-tone phone, call the information line and speak to a customer service representative.

You have received your PIN with your activation kit. You may change your PIN to personalize it any time you wish. Your PIN is confidential and should be kept in a safe place. If you lose your PIN, call the information line and a copy of the number will be sent to your home. For security reasons, you can never get your PIN over the phone.

### Accessing the System

To activate your Internet account, call the toll free number for the savings program. The number is 1-888-I-SAVE-IT (1-888-472-8348). The voice response unit has a menu selection for account activation. On a touchtone telephone, the selection is the number "6". You may choose to talk to a customer service representative, and they will help you with the account activation. After you have activated

### To reach the information line

#### In the United States:

1-888-I-SAVE-IT (1-888-472-8348)

#### International:

1-617-847-1006

#### Telecommunications Device for the Deaf:

1-800-579-5708

#### Voice Response Unit:

24 hours a day, 7 days a week  
(except for occasional maintenance periods)

#### Customer Service Representatives:

9 am - 5 pm Eastern time, Monday through Friday (except on days when the New York Stock Exchange is closed)

#### Internet Access:

To access the savings program via the Internet, please use the following URL:  
<http://oakridge.csplans.com>.

your account, log on to the internet by typing <http://oakridge.csplans.com>, then simply go to the log in screen, press "log in," enter your social security number and your PIN, and press submit. Every participant in the program will be able to gain access to the program, as long as they have an account balance.





# The Savings Program Information Line (cont'd.)

## Working With the Program

After you log on, the system greets you and immediately shows the market value of your account as of a particular date. Remember, our program is valued daily, and the amount shown on the screen is the market value as of the close of business of the previous business day. This value is updated once a day, so the value you see in the morning will be the same value for that entire day. The system is updated with current information sometime after midnight.

If you want to see more information about the program or your account, you must click on the Program Name. Some companies have more

than one savings program with CitiStreet, so the system allows you to select the proper program. We have only one program, so click the savings program button to proceed.

There are four blocks of information across the top of the screen (under the participating companies' logos):

- "My Account Information"
- "Plan Information"
- "Education and Planning"
- "Help".

Choose any of these selections to proceed.

## Your Investment Options

You may choose to invest your deferred savings in any one or a combination of the savings program's eleven investment funds - in increments of 5%. The funds are valued at market daily.

Any investment involves some degree of financial risk. Actual investment results for your savings program balance will vary depending on the fund or funds in which it is invested.

Detailed information about each of the funds is provided in the chart on the following pages. This data is provided for informational purposes only. Before making any investment decision, you should also review the fund prospectuses and fact sheets.

Neither the Company, the savings program, or the Retirement and Savings Plan Committee makes any representation that the past performance of these funds is a guarantee or indicative of their future performance. The funds are not protected by any federal or state deposit insurance program.

## Investment Earnings

Investment earnings include interest, dividends and market gains/losses resulting from your investments in any of the savings program's funds. Returns you may earn on your investments are continually reinvested in the funds you have chosen.

You can transfer existing balances - in 1% increments - among the investment options up to 12 times a year, and in any event at least once per quarter. Transfers completed before 4 pm Eastern time will be effective that day, assuming it is a business day and the New York Stock Exchange is open; otherwise, changes will be effective the next business and market trading day. Confirmation of your transaction will be mailed within two business days.



# Investment Option Summary

## Transaction Processing

The transactions you request through the information line will ordinarily be processed within the times specified in this book of benefits. However, in certain circumstances, you may experience difficulty in making your request, or your transaction may be delayed. Please remember that the information line is no more than a telephone line.

Telephone service can be interrupted from time to time and, further, a high volume of telephone

calls can overload the system and prevent calls from being answered. Transactions may also be delayed if State Street Bank and Trust determines that the delay is necessary - for example, if market conditions require a daily volume limit on trades in an asset, there is suspension in trading of an asset or in the event of a major market or systems disruption. You will be informed if a transaction is not completed on the day requested, and the transaction will be completed as soon as administratively possible thereafter, based on the unit prices in effect when the transaction is completed.

## Reward vs. Risk

One way to think of the gain or loss potential of an investment is to think of the potential for reward or the level of risk it offers.

Generally, investments with more risk to principal have the potential to yield higher returns over a longer period of time than investments with less risk.

No one can tell you what balance of reward vs. risk is right for you. It is up to you to decide. When making your decision, however, ask yourself the following questions:

### When will you need the money in your accounts?

If you are a long way from needing your retirement fund and investing for the long-term, you may want to consider more aggressive investment choices with higher risks. But you must be prepared to weather the ups and downs of the market and possible loss of your investment. However, stability in your investments may be more important if you have a shorter time horizon.

### What are your investment goals?

You may be concerned about preserving your account balances while earning a steady rate of return. Or, you may want investments that offer the prospect of substantial growth. Keep in mind that your investment objectives will change depending on how soon you need your retirement funds and how close you are to meeting your financial goals.

### Are your investments sufficiently diversified?

Investment professionals seek to reduce risk by diversifying their investments - not putting too many eggs in one basket. They may diversify over different types of investments, such as stocks and bonds, and within types of investments by buying stocks and bonds of a number of different companies. Since most of the funds offered under the savings program are each made up of several types of investments, there is a basic level of diversification within most funds. However, you can further diversify by investing in several different funds to take advantage of the different investment objectives and strategies offered by the funds.



# Investment Option Summary (cont'd.)

Fund Name	Investment Objectives	Investment Strategy	
<b>Stable Value Fund</b>  (most conservative)	Maximum safety of principal, stable income and liquidity.	To invest in investment contracts and high quality money market instruments.	
<b>Intermediate-Term Investment Grade Bond Fund</b>  (more conservative)	Preservation of capital with attractive total returns.	To invest in undervalued investment grade securities in the fixed income market, with an average portfolio maturity ranging from 3 to 7 years.	
<b>Long-Term Investment Grade Bond Fund</b>  (conservative)	Preservation of capital with attractive total returns.	To invest in undervalued investment grade securities in the fixed income market, with an average portfolio maturity usually greater than 10 years.	
<b>American Balanced Fund</b>  (conservative to moderate)	Conservation of capital, current income and long-term capital growth.	To invest in a diversified portfolio of stocks, bonds, and other fixed income securities, responding to market changes by shifting its mix.	

# Investment Option Summary (cont'd.)

Fund Holdings	Factors Affecting Performance	Fund Manager
<ul style="list-style-type: none"> <li>• High quality investment contracts issued by insurance companies, banks, or other financial institutions</li> <li>• High quality short-term money market instruments to provide additional diversification and liquidity.</li> </ul>	Lower risk of principal; however, higher inflation risk, because its expected rate of return is usually lower than the other options and may not outpace inflation.	State Street Bank and Trust Company
<ul style="list-style-type: none"> <li>• U.S. Treasury bonds</li> <li>• U.S. Agency bonds</li> <li>• Mortgage-backed bonds</li> <li>• Corporate bonds</li> <li>• Small amount of preferred stock.</li> </ul>	Inflation expectations and interest rate changes affect performance. Long-term decisions made by the fund manager and the nature of the fund's investments should be expected to provide higher returns and higher risks as compared to an intermediate-term bond portfolio.	Standish, Ayer & Wood
<ul style="list-style-type: none"> <li>• U.S. Treasury bonds</li> <li>• U.S. Agency bonds</li> <li>• Mortgage-backed bonds</li> <li>• Corporate bonds</li> <li>• Small amount of preferred stock.</li> </ul>	Inflation expectations and interest rate changes affect performance. Long-term decisions made by the fund manager and the nature of the fund's investments should be expected to provide higher returns and higher risks as compared to the Stable Value Fund.	PIMCO
<ul style="list-style-type: none"> <li>• Stocks in key sectors of the U.S. economy</li> <li>• Small amount of non-U.S. securities</li> <li>• High quality corporate and government bonds.</li> </ul>	Subject to stock market risk and volatility. Bond values tend to vary inversely with interest rates. Long-term decisions made by the fund manager and the nature of the fund's investments may provide higher returns (and higher risks) as compared to a long-term bond portfolio.	Capital Research and Management Company (CRMC)



# Investment Option Summary (cont'd.)

Fund Name	Investment Objectives	Investment Strategy	
<b>Indexed Equity Fund</b> (moderate)	Replication of the Standard & Poor's 500 Index investment performance.	To fully replicate the Standard & Poor's 500 Index portfolio through passive management, trading only when there is a change to the index. Offers exposure to approximately 70% of the U.S. equity market.	
<b>The Investment Company of America</b> (moderate to aggressive)	Long-term growth of capital and income, with an emphasis on future dividends and capital appreciation.	To invest in "blue-chip" companies with proven track records of rising earnings and dividends.	
<b>Vanguard Windsor Fund</b> (aggressive)	Long-term capital growth and income, as well as a reasonable level of current income.	To invest primarily in common stocks that are currently considered out of favor or undervalued - a "contrarian" approach, which can result in concentrated positions in several industries and companies.	
<b>The Growth Fund of America</b> (aggressive)	Long-term capital growth.	To invest in a wide range of companies that appear to offer superior opportunities for long-term growth.	
<b>New Perspective Fund</b> (more aggressive)	Long-term capital growth.	To invest in large established companies in world markets, focusing on changing global trade patterns and related growth opportunities.	



# Investment Option Summary (cont'd.)

Fund Holdings	Factors Affecting Performance	Fund Manager
<ul style="list-style-type: none"> <li>Primarily large U.S. stocks in identical proportions to the Index</li> <li>Small amount of money market securities to maintain liquidity.</li> </ul>	As a fund investing primarily in common stocks, the fund is subject to market risk - the possibility that common stock prices will decline over short, or even extended periods.	State Street Bank and Trust Company
<ul style="list-style-type: none"> <li>Stocks and bonds of primarily large, well-known U.S. companies</li> <li>May include non-U.S. securities.</li> </ul>	Stocks are subject to market risk. Bond values tend to vary inversely with interest rates. Long-term decisions made by the fund manager and the nature of the fund's investments may provide higher returns (and higher risks) as compared to a balanced portfolio.	Capital Research and Management Company (CRMC)
<ul style="list-style-type: none"> <li>U.S. common stocks</li> <li>Some fixed income securities and other equities such as convertible preferred stocks.</li> </ul>	Stocks are subject to market risk. Long-term decisions made by the fund manager and the nature of the fund's investments may provide higher returns (and higher risks) as compared to a balanced portfolio. Due to the contrarian approach, there is the potential that the common stock prices will decline over short or even extended periods.	Wellington Management Company of Boston
<ul style="list-style-type: none"> <li>Primarily U.S. securities</li> <li>May include foreign securities</li> <li>May invest up to 10% in debt securities rated below investment grade.</li> </ul>	Subject to stock market risk and volatility; there is the potential that the common stock prices will decline over short or even extended periods.	Capital Research and Management Company (CRMC)
<ul style="list-style-type: none"> <li>Stocks of companies in major world markets, including the U.S.</li> </ul>	Subject to global market risks, such as exchange rates, currency fluctuations, and political and social instability.	Capital Research and Management Company (CRMC)

# Investment Option Summary (cont'd.)

Fund Name	Investment Objectives	Investment Strategy	
<b>Small Cap Growth Fund</b>  (more aggressive)	Seeks to achieve long-term capital appreciation through a diversified portfolio of equity securities of small- and medium-capitalization companies.	Under normal market conditions, the fund invests at least 65% of its total assets in equity securities of U.S. companies, such as common and preferred stock. The fund generally invests in small - and medium-sized companies, that is, companies with capitalization of \$1.5 billion or less. The fund may retain securities that it already has purchased even if the company outgrows the fund's capitalization limitations.	
<b>International Growth Fund</b>  (more aggressive)	Seeks to provide long-term growth of capital by investing in companies based outside the United States.	Invests in securities of strong, growing companies based chiefly in Europe and the Pacific Basin, ranging from small firms to large corporations. The fund can only own securities of issuers domiciled outside the United States, except a nominal portion that, for liquidity purposes, may be held in U.S. dollars and/or equivalents.	
<b>Lockheed Martin Common Stock Fund (Closed to New Investment)</b>  (most aggressive)	Passively managed single stock fund that provides the opportunity to become an owner in the Company and share directly in its future growth.	Invests in the common stock of the Company. To meet liquidity needs, the Fund may hold a portion of its assets in money market securities. All dividends are reinvested in the Company's stock.	



# Investment Option Summary (cont'd.)

Fund Holdings	Factors Affecting Performance	Fund Manager
U.S. common and preferred stock issued by small and medium-sized companies.	In addition to risk factors associated with investing in the stock market in general, small and mid-sized companies trade less frequently and in lower volume than the shares of larger companies. This could result in significantly higher volatility in their share price over short and extended periods of time. Small and mid-sized companies may also have more business risk due to limited product lines and less access to financial capital.	The Managers Funds, LLC
Stocks of large and medium-sized international companies.	Subject to global market risks, such as exchange rates, currency fluctuations, and political and social instability.	Capital Research and Management Company (CRMC)
Lockheed Martin Corporation common stock, short-term high quality money market instruments only as needed for liquidity.	Only consisting of one stock. It is not diversified, and is subject to large fluctuations based on Lockheed Martin Corporation's financial performance, stock market volatility and general economic conditions. Because of this lack of diversification, it is very different from the other stock funds offered by the savings program.	State Street Global Advisors

# Withdrawals from Your Deferred Account

If you choose to defer your total account value, you may make partial withdrawals of your savings during retirement, within certain plan

limits. To request a withdrawal, call the information line.

## Program Payouts

When you decide to receive your payout, you have a choice of payout methods. You may elect to receive:

- a single lump-sum payment of your total account value
  - a partial payment, provided you have a remaining balance of at least \$10,000
  - monthly installment payments of your account value over a fixed period of 10, 15, or 20 years (as long as this method meets the IRS minimum distributions requirements), with monthly recalculations based on market value and the remaining payment period
  - monthly installment payments over a period equal to your life expectancy or the joint life expectancy of you and your spouse, with monthly recalculations based on market value and the remaining payment period. Life expectancies are recalculated each year
- or
- monthly installments using the uniform life expectancy table with monthly recalculations based on market value and the remaining payment period. Life expectancies are recalculated each year.

If you die, your beneficiary may receive your savings program balance in a lump sum. However, your spousal beneficiary may elect a lump-sum payment or monthly installment payments over a five-year period. Your spousal beneficiary may also choose to defer payment.

If your savings are invested in Lockheed Martin Corporation or Vanguard Windsor, you may elect to receive a lump-sum payment of your account in the form of securities in these funds to the extent your savings are invested in these funds. All other funds must be liquidated and paid out in cash.

If you have investments in the Lockheed Martin Stock funds, you must direct them to be transferred to any of the other funds by April 30, 2003.

### Naming Your Beneficiary

Your beneficiary is the person you name to receive benefits from the savings program if you die with a vested balance remaining in your savings program account. Your beneficiary can be anyone you wish. However, if you have been married for at least one year and you wish to name someone other than your spouse, you must have your spouse's written and notarized consent.

Be sure to keep your beneficiary designation up to date. If you do not make a beneficiary designation and you have been married for at least one year at the time of your death, your spouse will receive the value of your vested savings program account. If you are single and do not name a beneficiary, your vested savings program account will be paid to your estate.

You may change your beneficiary at any time. Simply call the information line and request a beneficiary form. Your beneficiary election will be effective when the Benefit Plans Office receives your completed form.

### Electing a Payout Method

When you decide to receive your payout, you may make your payout election over the phone by calling the information line. If you choose installment payments, you will receive the applicable forms.



# Taxation of Withdrawals and Program Payouts

In general, your before-tax contributions, Company matching contributions and investment earnings on all types of contributions are taxable when you receive them. The actual tax treatment will depend on your age at the time of receipt. You can find more information about tax treatment of savings program distributions in the "Special Tax Information Notice," which is included with your quarterly statement and also available by calling the information line.

## Before Age 59-1/2

If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax does not apply to your payment if it is:

- paid to you because you separate from service with your employer during or after the year you reach age 55-1/2,
- paid to you because you retire due to disability,
- paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your Beneficiary's lives or life expectancies), or
- used to pay certain medical expenses.

See IRS form 5329 and the Special Tax Notice included with your savings plan statement for more information on the additional 10% tax. You can avoid the income and penalty tax if you roll the taxable portion of your payment over into an IRA or other eligible retirement plan within the time period permitted by law.

Beneficiaries are never subject to the 10% tax penalty, regardless of your age at death.

## At Age 59-1/2 or Later

If you make a withdrawal or receive a savings program distribution after age 59-1/2, you will not have to pay the 10% penalty. If you were at least age 50 on January 1, 1986, the law generally makes 10-year forward averaging (based on 1986 tax rates) available as an alternative, as well as special capital gains treatment provided you were a participant before 1974.

To be sure you are using your benefits to their full advantage, you should check with a tax advisor regarding the specific requirements for using these and other forms of favorable treatment that may apply to your payout. The Benefit Plans Office cannot give you tax advice.

## Rollovers and Withholding

Withdrawals and lump sum distributions of your before-tax contributions and Company matching contributions, as adjusted for investment earnings and losses, can be rolled over to an IRA or other eligible retirement plan. Required minimum distributions to employees who have reached age 70-1/2 or retired from the Company after age 70-1/2, and distributions paid out in installments are not eligible for such a rollover. Beginning with distributions on or after January 1, 2002, you may rollover the non-taxable (your after-tax contributions) portion of your distribution to an IRA and certain qualified defined contribution plans.

You can roll over all or a portion of your eligible plan payouts either directly or indirectly to an IRA or other eligible retirement plan. With a direct rollover, State Street Bank and Trust will send you a check payable to the trustee of the eligible IRA or plan you designate. If you elect a direct rollover, no federal tax withholding will apply to your rollover amount. The portion that is not rolled over will be subject to mandatory 20% tax withholding.

If you want to roll over your eligible payout yourself - an indirect rollover - there are some important facts to keep in mind:

- Mandatory 20% tax withholding will apply to the distribution when the payout is made to you.
- Your rollover must be made within 60 days of the day you receive your payout.
- Any portion of the taxable part of your payout not rolled over will be subject to income and penalty taxes (if applicable).

Other withholding rules apply to distributions that are not eligible for a rollover. You will be provided with information on those rules prior to the distribution.





# Your Quarterly Statement

If you defer your savings program account, after the end of each calendar quarter, you will receive a savings program statement that reports your account activity, total fund balances and investment elections. You can use these statements to track the value of your savings under the savings program.

## Claiming Benefits

To apply for a savings program payout, you should call the information line at 1-888-I-SAVE-IT. Your beneficiaries should contact the Benefit Plans Office.

If you elect a lump-sum payout, you will be mailed the payout generally within two business days. If you elect to receive installment payments, you will receive a form to complete. Installment payments generally will be mailed on the second business day of each month.

If you elect to receive securities rather than cash from any balance in your account, you will receive a stock certificate (in the case of Lockheed Martin Corporation shares) or shares will be reregistered in an account in your name individually (in the case of Vanguard Windsor Fund shares) generally within two weeks after your request.

# Other Important Information

## Change of Address

It is important that you notify the Company of any change in your address while you are a participant in the savings program so you will be assured of receiving Company communications about the savings program. If you are retired, call the information line for a change form.

## Voting Your Shares

Except for the Lockheed Martin Corporation Stock Fund, the investment manager for each fund will decide how to exercise any voting rights applicable to stock held in that particular fund.

If you invest in the Lockheed Martin Corporation Stock Fund, you will have the opportunity to direct the Trustee to vote your share of the stock in that fund. From time to time, you will receive proxy materials asking for your vote on selected issues.

## Investment Fees and Expenses

The savings program investment options have administrative and investment management fees associated with them which, in effect, reduce the investment fund returns. The administrative

fees are associated with service performed by the Trustee and Recordkeeper.

Investment management fees for the mutual funds are described in the fund prospectuses. A summary of the fees is posted on the savings program home page on the Internet.

## Responsibility for Investment Decisions

You choose how to invest your money in the savings program. The savings program Trustee will follow your investment directions without reviewing your investment decisions.

The Company, the Trustee, the Joint Retirement and Savings Plan Committee and the other savings program administrators are not responsible or liable for the investment choices you make or investment losses that are the direct and necessary result of your investment choices. This is because the savings program is intended to satisfy the requirements of Section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA) and section 2550.404c-1 of the Code of Federal Regulations. Nothing contained in this document is intended to constitute investment advice.



# Other Important Information (cont'd.)

## Confidentiality of Investment Directions

Your investment directions for all savings program funds are administered by CitiStreet. State Street Bank and Trust handles all purchases and sales in the name of the savings program without identifying individuals, so your transactions remain confidential.

State Street Bank and Trust is also responsible for distributing to savings program participants proxy and other materials generally provided to Lockheed Martin Corporation shareholders. In addition, voting directions relating to Lockheed Martin Corporation stock held in the savings program are returned to CitiStreet (or its agents).

As a result of these procedures, any information about your purchase, holding, sale, and voting of Lockheed Martin Corporation stock is kept confidential by CitiStreet.

The Joint Retirement and Savings Plan Committee is responsible for monitoring compliance with the procedures that ensure confidentiality. You may contact the Committee:

c/o Manager, Benefits Management  
P. O. Box 2009  
Oak Ridge, TN 37831-8267

## Call the Information Line or use the Internet for...

- **Financial information** - prospectuses and fund fact sheets, to the extent they are available and provided to the savings program.
- **Investment performance** - past and current investment performance of each fund as it becomes available.
- **Account value** - value of each investment fund within your personal account.

## Administrative Information

Information about the administration of the savings program can be found in the section entitled "Administrative Information."

